



## Agenda Abstract

### BOARD OF COMMISSIONERS

Meeting Date:	June 26, 2023
Department:	Utilities
Agenda Section:	Consent
Public hearing:	No
Date of public hearing:	N/A

#### PRESENTER/INFORMATION CONTACT

Utilities Director K. Marie Strandwitz, PE

#### ITEM TO BE CONSIDERED

**Subject:** System Development Fee Analysis Status Update

**Attachments:**

None

**Summary:**

Per state statute, system development fees (SDFs) need to be analyzed a minimum of every five years. The last analysis was performed in 2017 for Fiscal Year 2018 after House Bill 436 was adopted stating what the fee applies to, when they can be collected, and how they are to be calculated. Raftelis, a financial consulting firm that has been performing our fee and rate studies for years, was selected to conduct our current analysis through an RFP process for which two proposals were received.

The fees, once developed, must be publicly noticed for 45 days before public hearing and adoption. Typically, we incorporate the fees into the budget adoption process as they are presented in our fee schedule. However, the timing did not work in our favor. The fees are planned to be noticed starting June 30 and presented for hearing and adoption at the board's August general session. Also in this session, the 15-year Capital Improvement Plan (CIP), previously adopted in 2022 and since updated, will be presented for readoption as the needs outlined in the CIP are used in the SDF calculations.

There are strict rules for calculating SDFs as governed by state statute. With some modifications to the state statute, the town cannot include the current or depreciated asset value of infrastructure built by and donated by developers. It also cannot include infrastructure funded by grants or infrastructure that is not of town-wide benefit. As such, staff has undertaken a deep review of the town's asset registry to ensure completeness and that nothing that should not be included in the calculations is included. Another modification to the statute requires the town utilize the planning number it would use for planning projections and not necessarily the state's design criteria if there is a planning document that uses that number (i.e., 360 gallons per day per unit). We have the sewer collection system model report that uses 240 gallons per day per unit so that was input into the calculation for sewer SDFs. Our water capacity model used 360 gallons per day per unit so that will be used for water SDFs.

After removing all donated assets and with several aged assets fully depreciated and other factors, it appears the preliminary calculations for the SDFs will be lower than currently established for both water and sewer although the final numbers are not yet established. The current SDF for a typical residence is \$3,243 and \$3,864 for sewer and water, respectively. The suspected SDFs will be lower, which in turn will result in lower fees as meter size increases, which will be less SDF revenue paid.

The town desired to charge SDFs by the gallon added but was advised this is “out of norm”. Charging by the gallon, even though part of the calculation, would capture modifications/additions to buildings that require greater demands, but do not require a larger meter size, ensuring all pay into the system fairly. This was disappointing and the revised SDFs will be presented by meter size, as typical.

**Financial impacts:**

Lower fees will mean lower SDF revenue to conduct much needed projects to support growth initiatives. The actual impact is dependent on development. However, the town does not project SDF revenue in its budgeting which does provide some protection of adopted budgets.

**Staff recommendation and comments:**

Await public notice of proposed SDF fees and upcoming August meeting for hearing and adoption along with the revised 15-year CIP and updated fee schedule.

**Action requested:**

As information